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Prospects for Tunisia

**National Intelligence Estimate
Memorandum to Holders**

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*NIE 63-84
August 1986*

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MEMORANDUM TO HOLDERS

NIE 63-84

PROSPECTS FOR TUNISIA

Information available as of 22 August 1986 was used in the preparation of this Memorandum to Holders, which was approved by the National Foreign Intelligence Board on 28 August 1986.

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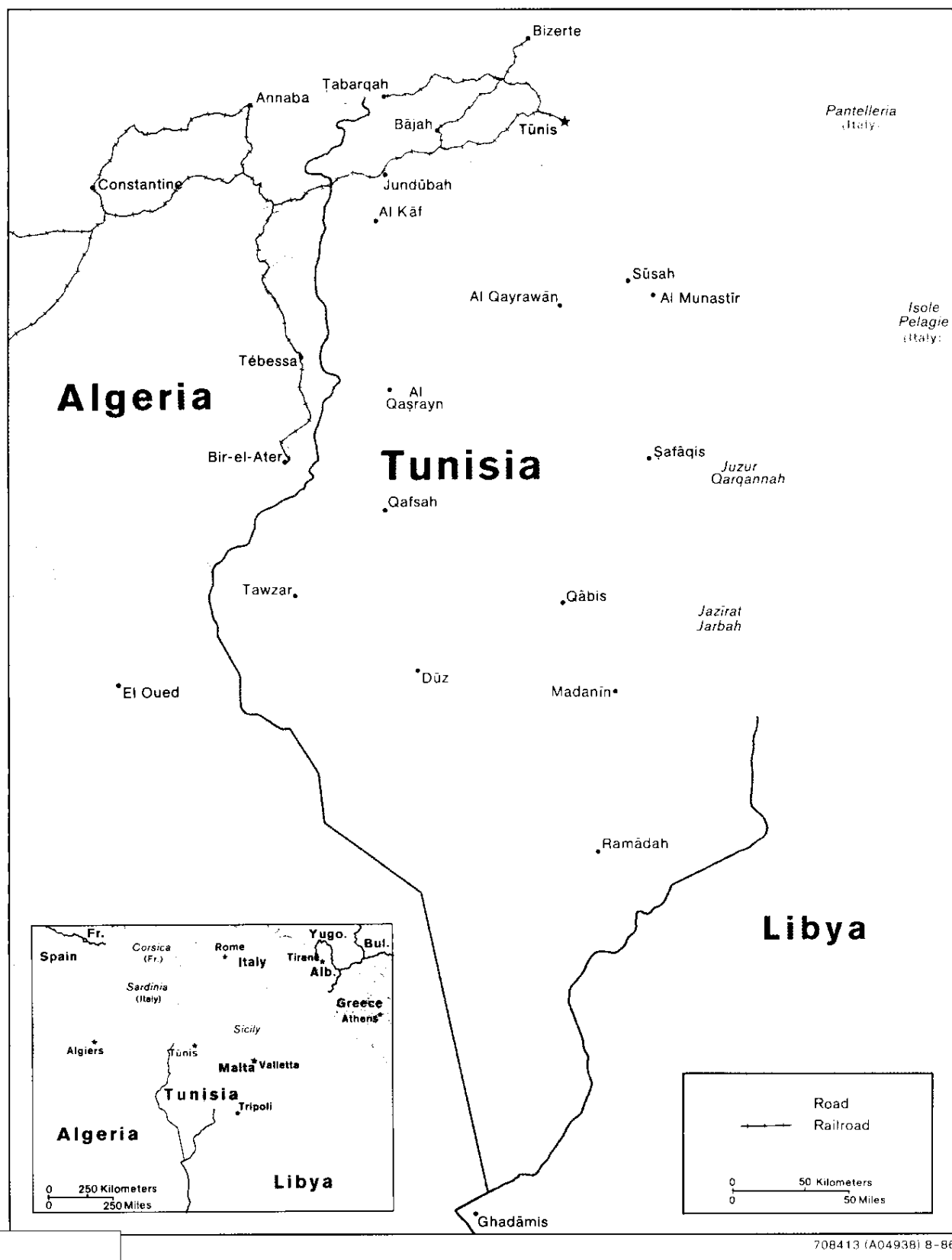
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SCOPE NOTE

NIE 63-84, published in December 1984, examined Tunisia's political, economic, and social problems, the prospects for the regime of President Bourguiba over a two-year period, and the implications for the United States. It predicted an increasingly turbulent future for Tunisia. Developments in Tunisia since the publication of the NIE, including heightened political and economic tensions, recent changes in the cabinet and the prime ministry, and Bourguiba's increasing infirmity and capricious behavior, pose new questions about the country's political stability over the near term. This Memorandum to Holders focuses primarily on the viability of the Bourguiba regime, especially in light of the President's recent dismissal of his designated successor, the likely course of Tunisian politics during the next 18 months, how these trends may effect the transition after Bourguiba's death, and the implications for the United States. The paper also addresses the outlook for Tunisia over the longer term when appropriate.

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KEY JUDGMENTS

Economic, social, and political problems in Tunisia continue to build dangerously as the ailing and aged President Habib Bourguiba fails to treat them. Action to redress major grievances will not come as long as Bourguiba remains in power, and the longer he remains at the helm, the more intractable these problems become. [REDACTED]

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The threat of *revolutionary* change still remains low, but there are now greater chances for a breakdown in public order that would severely tax the capabilities of the regime of the 83-year-old President. The lack of political unity within the government—reflected in Bourguiba's sudden change in prime ministers recently—makes a *turbulent transition of power more likely and increases the chances of military intervention*.

- Regardless of who succeeds Bourguiba, Tunisia's traditionally close ties to the United States will weaken, and Tunisia—at a minimum—will shift toward a more nonaligned posture.

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[REDACTED]

[REDACTED] the country's

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many problems. These include:

- A deteriorating financial position.
- Indications of discontent within the military and security forces.
- The growing appeal of Islamic fundamentalists.
- Alienation of political, labor, and student groups.
- Continuing threats from Libya. [REDACTED]

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Tunisia's unprecedented economic crisis (largely the result of plummeting oil prices) is adding to political tensions, but government fears that new austerity measures will prompt a repeat of the bloody January 1984 food riots have so far held Tunis back from effectively addressing Tunisia's economic woes. These same fears will also probably hamper a timely implementation of the government's proposed IMF program. Tunis will likely temporize as long as possible on potentially

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explosive reforms (food price hikes, for example) to avoid a popular backlash, but ultimately will be forced to adopt much stricter austerity measures to obtain crucial foreign aid. [REDACTED]

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The longer term economic prognosis for Tunisia is grim. Low oil prices, declining reserves of exploitable petroleum, the unlikelihood of new discoveries of oil or other natural resources, and demographic pressures will work against any quick reversal of economic trends, even if the government decides to make comprehensive structural reforms.

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The regime perceives a significant threat to domestic stability and will likely continue its turn toward *authoritarian* policies to maintain its grip on the country. To deal with negative political and social reactions, the government will probably have to intensify its crackdown on both organized and unorganized opposition. The most likely result will be heightened political tensions *before* the November election [REDACTED]

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[REDACTED] Although this will hasten a decline in the government's legitimacy in the short term, Bourguiba's turn to harsh methods probably will prove effective in suppressing the political opposition. Opposition groups do not have the charismatic leaders capable of rallying dissidents and none feel strong enough to challenge the regime in the streets. [REDACTED]

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In contrast, the potential for *mass-based* violence stemming from economic grievances will remain high. The greatest danger is the threat that disorder will provide internal opponents and Libya with fuel to foment regime-threatening violence. We believe the security forces are not strong enough to contain rioting if it became widespread, and the government's use of combat troops to restore public order would produce further tensions within the armed forces. [REDACTED]

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Qadhafi has long provided support for Tunisian dissidents and undoubtedly has agents of influence in place, but he cannot precipitate a revolution. During widespread disorder, however, Qadhafi has significant capability to worsen Tunis's problem through terrorism, dissident raids, propaganda, and military posturing. He is unlikely to invade Tunisia during the period of this estimate because he fears US, French, or Algerian reaction. [REDACTED]

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Bourguiba's demise during the next 18 months would produce political infighting and could lead to an open power struggle, raising considerably the prospects for military intervention:

- Even though the Tunisian military has been apolitical by Arab standards, officers are increasingly frustrated with the government's inability to cope with Tunisia's problems. While the military almost certainly would rally before an open Libyan

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[redacted]

threat, discipline within the ranks would dangerously weaken if troops were repeatedly called upon to put down internal disturbances sparked by the same economic concerns that worry officers and conscripts.

- A military-controlled government might prove the only one capable of ensuring stability but it would be no more adept at solving Tunisia's problems. [redacted]

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Bilateral ties to the United States will remain close as long as Bourguiba is in charge, despite increasing public hostility toward the United States and the President's own misgivings over what he believes to be shortcomings in US economic and military aid. Bourguiba's stance, however, poses increased dangers for US interests. His dual strategy of leaning on the United States and the West for financial assistance, while cracking down on dissent at home, will tend to identify the US Government with Bourguiba's unpopular policies. However, any attempt by Washington to cultivate relations with opposition groups or lobby the government to open up the political system would anger Bourguiba, our closest friend in the country, and possibly signal vacillating US support for the regime to the opposition. [redacted]

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The President's demise will almost certainly lead to a government more committed to developing Tunisia's nonaligned credentials and reducing high-visibility ties to Washington. The current group of civilian contenders for the succession would try to broaden ties to other Arab states and the Soviet Union but they would not want to jeopardize vital economic and security links to the United States and France. While a regime controlled by *senior* military officers probably would try to maintain good relations with the United States because of its political inexperience and need for foreign support, we doubt that such a government could long afford to rule much differently than a civilian successor. A government led by *junior* officers would more likely be less sympathetic or even hostile to the United States, but not necessarily more amenable to Soviet interests:

- If in the longer term, a successor regime, or regimes, is unable to consolidate power and rectify the country's problems, we believe revolutionary change and a more fundamental realignment on international issues is likely. [redacted]

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DISCUSSION

Developments Since the Publication of NIE 63-84

1. NIE 63-84, published in December 1984, anticipated increasing instability in Tunisia, one of the most consistently pro-US Arab nations. Long a model in the Middle East because of its economic prosperity and social progress within a relatively open and secular political system, the country now is grappling with serious domestic and foreign problems that jeopardize this legacy. Tunisia's most pressing challenges include economic decline, social unrest, foreign threats from Libya, political infighting within the regime and between the government and political opposition, and the weakening authority of President Habib Bourguiba, the octogenarian founder of modern Tunisia. While these problems have existed for several years, they have festered and now are mutually reinforcing; indeed, Tunisia is in the throes of its worst political and economic crisis since independence in 1956.

2. Tunisia's current travails raise considerably the chances of future political instability. The key issue is not only Tunisia without Bourguiba, but also whether the country can avoid upheaval during the closing days of his rule. Tunis faces immediate and difficult choices on how to implement much-needed economic reforms. At the same time, the political agenda is highlighted by a national election on 2 November, which pits new and inexperienced Prime Minister Rachid Sfar, the President's chosen successor, against an increasingly vocal and demanding opposition. The government's handling of these issues will set the tone of politics during the closing days of Bourguiba's rule and after his death.

Political Stasis

3. Policymaking in Tunisia is taking place in a vacuum where decisionmaking ebbs and flows according to the lucidity of President Bourguiba. The 83-year-old President is extremely frail physically and is increasingly senile. In our view, the President's deteriorating health is a major factor in the country's deep malaise. Bourguiba's increasingly capricious behavior and determination to hold absolute power have inhibited reform and have prompted new concerns in the country about the succession.

4. The President's awareness that his demise is near makes him obsessed with guarding his prerogatives, demonstrating that he is the ultimate source of power, and preserving his vision for Tunisia. At the same time, Bourguiba's physical condition has increased his isolation from the people and has made him less able, or willing, to prepare the political ground for the inevitable transition of power, let alone deal with the profound social changes sweeping the country. These factors probably have diminished Bourguiba's popularity, although his standing with the public is stronger than that of any other political leader.

5. Bourguiba's paternalistic approach to politics (which features one-party rule by his Destourian Socialist Party, the PSD) increasingly is challenged by opposition parties and Islamic fundamentalists. All opposition groups are pressing the government to institute a true democracy, as well as far more flexible laws for the formation of parties and participation in the legislature through free elections. Students are demanding educational reforms and better job prospects. Workers want an end to a three-year wage freeze imposed by the government. In addition, there appears to be a broader-based public concern over inequitable income distribution, corruption, and the government's inability to provide social services for a rapidly expanding and increasingly urban population. Popular disgruntlement also is fed by Bourguiba's unyielding secularism, his closeness to the United States, and his neglect of the rural and southern regions of the country in the distribution of financial and technical resources.

6. The absence of prolonged or severe incidents of violence over the past year should not mask the fact that there is a significant threat to domestic stability. In response, Bourguiba has placed new curbs on the press and has summarily arrested and jailed the country's principal labor leader, intellectuals, and dissident student and labor activists. He also has incarcerated the country's main opposition leader—a move that will bar his participation in the November general election. In a related initiative aimed at the resurgent Islamic fundamentalists, the government has passed a political parties law that prohibits any religious group from running. This measure will thus

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prevent the Islamic Tendency Movement (MTI), the most dynamic and perhaps the most popular political movement in the country, from participating openly in politics. [REDACTED]

Bourguiba's House in Shambles

7. The preoccupation of Bourguiba and the ruling elite with political maneuvering, and intense factional-

ism over the succession question prevents the addressing of Tunisia's most pressing problems. This year the President, through a series of government reorganizations and cabinet shuffles, removed former Premier Mzali and his closest associates from power, while enhancing the positions of the Prime Minister's potential rivals, such as Prime Minister Sfar, Minister to the President Mansour Skhiri, and Interior Minister General Zine Abdine Ben Ali. In retrospect, Bourguiba

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appears to have been mainly concerned about Mzali's attempts to strengthen his position. [REDACTED]

other Western donors. The program would emphasize restraints on consumer demand and the promotion of exports:

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- In August, the government took the first major step in the program by announcing a 10 percent currency devaluation [REDACTED]

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11. The need for drastic reform stems from the government's inability, since the late 1970s, to reverse a steady deterioration in productivity and declining financial resources. World demand for revenue earners, such as phosphate and petroleum, has been sluggish. Remittances from Tunisian workers in Western Europe have been falling because economic slow-downs in Europe and the enlargement of the Economic Community have increased competition for jobs. Enlargement also may restrict Tunisian trade opportunities. Domestically, annual per capita income (about \$1,120) has sunk far below late 1970s oil-boom levels in real terms, while double digit inflation has drastically eroded the purchasing power of most Tunisians, whose wages have been frozen at 1983 levels. Economic problems, moreover, have produced an unemployment rate of about 30 percent. Indeed, unemployment and underemployment combined may be as high as 50 to 60 percent in urban areas. [REDACTED]

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12. Recent economic shocks, particularly the rapid drop in petroleum prices, have only aggravated these problems. Oil is Tunisia's largest source of hard currency, accounting for 40 percent of export receipts. The oil industry also provides 20 percent of government revenue and 10 percent of GDP. Even if the price of oil averages \$15 per barrel this year, Tunisia will lose almost 60 percent of its anticipated earnings. Other unexpected developments have only made matters worse, including an unusually harsh drought that threatens cereal production and livestock, and a drop in tourism because of concerns over terrorism. At the same time, the government is struggling to absorb over 32,000 Tunisian workers expelled from Libya last year. [REDACTED]

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The Economy: At An Impasse

10. Bourguiba's appointment of Sfar as Prime Minister reflects the urgency of the country's economic problems. Mzali was unpopular largely because of the country's steady economic decline and Sfar's appointment may indicate that the government has now decided to place a higher priority on the issue. Unlike his predecessor, Sfar has served in high-level positions involving the economy, such as Minister of Industry, Mines and Energy, and Minister of Finance and Economy. His promotion follows an announcement in Tunis last June that the government will implement a six-year structural adjustment program in conformity with reforms long advocated by the World Bank and

13. These negative economic developments have placed new strains on Tunisia's increasingly fragile social fabric. Grim job prospects are the main cause of alienation among youth, especially because Tunisia has a high proportion of people with advanced education and the highest adult literacy rate in North Africa. Both factors result in high expectations for employment. Indeed, the economy has been unable to absorb an estimated 70,000 new job seekers each year. The problem is likely to get worse, too, because 70 percent of the population is under 26 years old, and because the labor force is growing at a rate of 4

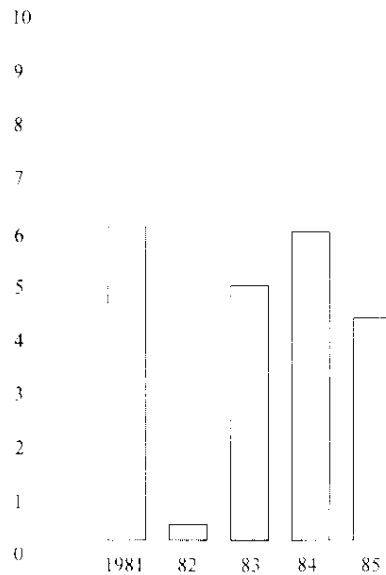
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Tunisian Economic Indicators, 1981-85

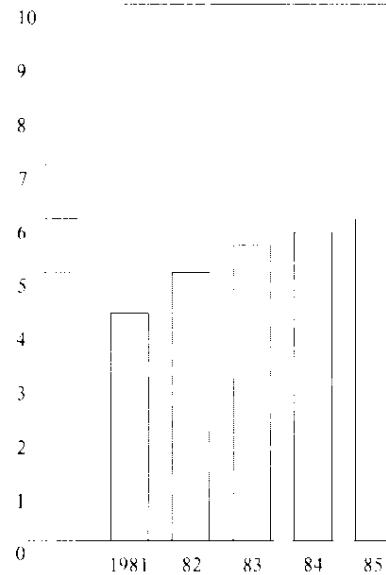
Real GDP Growth

Percent



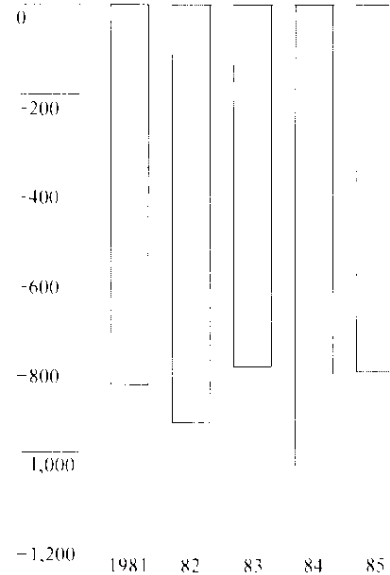
Total Debt

Billion US \$



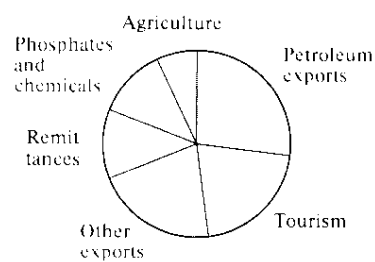
Current Account Deficit

Million US \$



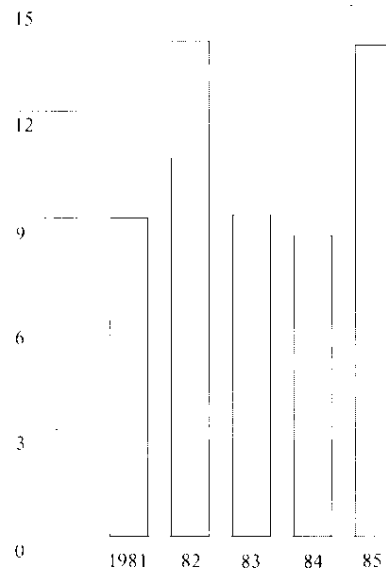
Composition of Foreign Exchange

Percent



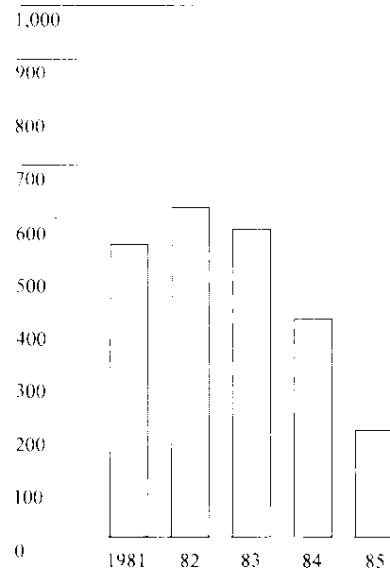
Inflation

Percent



Foreign Reserves

Million US \$



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THE TUNISIAN ECONOMY: FROM BOOM TO BUST

The Tunisian economy expanded rapidly during the 1970s—averaging 7.5 percent real economic growth annually—largely because of steadily rising oil output and unprecedented expansion in the manufacturing and tourist sectors. Skyrocketing oil earnings over the period, plus a substantial influx of European visitors, growing world demand for phosphates, and buoyant worker remittances built a financial cushion for Tunisia that averaged nearly a half billion dollars annually from 1973 to 1979. This cushion, and pragmatic fiscal policies, allowed the Bourguiba government to simultaneously improve the country's standard of living, increase development expenditures, and earn a solid international credit rating. []

The economy began to slow in the 1980s, however, when Tunisia's main sources of foreign exchange were hard hit by the international recession. Oil output eroded as world demand fell, tourist visits (hampered by the overvalued dinar) slackened, phosphate production plummeted as Western industrial output stagnated, and the numbers of expatriate Tunisian laborers dwindled as foreign employment opportunities contracted in Western Europe and in the Middle East. Real GDP growth averaged only 4 percent annually from 1980 to 1984 and was barely sufficient to absorb the 3.8 percent annual increase in the nation's labor force. As the economy slowed and consumer purchasing power slipped, Tunis was unable to control inflation, which averaged 10 percent per year during 1980 to 1984 (twice the 1970s rate) or rein in unemployment over the same period, which hit a record 30 percent. []

Decreased foreign exchange earnings also seriously weakened Tunis' previously healthy international payments position. To make ends meet, the government

drew down foreign reserves and borrowed heavily abroad. By yearend 1984, foreign reserves stood at \$400 million, down from about \$600 million in 1982, and external debt exceeded \$5.5 billion. Fortunately, because of the country's solid international credit rating, the government had been able to confine its burgeoning debts to soft loans and medium- to long-term credits, keeping the debt service ratio to a relatively manageable 20 to 25 percent. []

Only the unusually good harvest and long-awaited resurgence in tourism allowed the Tunisian economy to grow about 4 percent last year. Other foreign exchange earners performed poorly, however. Earnings from petroleum were hurt by falling world prices, rapid growth in domestic consumption, and continuing production difficulties. Phosphate sales remained soft, the result of production shortfalls because of spare parts shortages and frequent labor unrest. Also, the expulsion of roughly 32,000 Tunisian workers from Libya last summer cost Tunis about \$140 million in worker remittances, lost trade, and outlays for unexpected social services. []

With foreign exchange earnings continuing to founder, Tunis was unable to bring its international payments position into the black. The Bourguiba government resorted largely to drawing down reserves to meet payments needs. As a result, by the end of 1985, foreign exchange reserves totaled about \$200 million—less than one month's import cover. Moreover, although the government did not borrow abroad for balance-of-payments needs, Tunis continued to borrow to fund development expenditures to the tune of about \$300 million. By yearend, consequently, Tunisia's external debt topped more than 60 percent of GDP. []

percent per year. Economic pressures have been especially acute in southern Tunisia. Because the government always has favored investment in the north, malnutrition and unemployment have become more severe in southern Tunisia, prompting a higher incidence there of political tensions, smuggling, and rural to urban migration. []

14. The nationwide bread riots in early 1984, which were caused by the government's attempt to drop all subsidies on wheat, and more recent, smaller-scale violence, which has its roots in the socioeconomic problems discussed above, have made Bourguiba's ministers reluctant to implement economic reform. Instead of galvanizing the government into action, past disturbances have made government officials fearful of decisive measures, lest they spark another breakdown in public order. The government therefore has

taken only incremental steps, and has looked primarily to foreign lenders, and particularly to the United States, for funds that would provide the government with the necessary financial cushion to reduce the risks of reform. This search has not been successful to date, with France, West Germany, and Italy having provided only token assistance. The country's reserves can now meet only a few days worth of imports at best and Tunis is avidly seeking \$250 million in bilateral aid to cover current operating expenses. []

The Economic and Political Outlook

Economic Options

15. The economic prognosis for Tunisia is grim. Economic growth this year could well be negative—by as much as 3 percent—for the first time in over two

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decades, and a continued drop in living standards appears virtually certain for the foreseeable future. Low oil prices, declining reserves of exploitable petroleum, the unlikelihood of new discoveries of oil or other natural resources, and demographic pressures will work against any quick reversal of economic trends, even if the government decides to make comprehensive structural reforms.

16. The government will gradually implement reforms to satisfy the IMF and encourage a more forthcoming aid response by potential foreign lenders; it will avoid adjustments that risk further political upheaval for as long as possible. Sfar has a reputation for supporting government interventionism in the marketplace, and he may resist full economic liberalization. We also suspect that the Prime Minister, despite his background, does not have the depth of knowledge necessary to formulate economic remedies, even if he has the freedom to act. Without donor support, Tunisia will be unable to cover its rapidly rising balance of payments deficit—which will easily top \$600 million this year—or replenish its foreign reserves. Deficits of this magnitude would bring Tunisia closer to the brink of domestic unrest because it would not allow Tunis to meet essential needs.

Government's Political Strategy

17. The government's reluctance, and perhaps inability, to stem the economic decline in the near term almost certainly will further undermine the Bourguiba regime. In our opinion, a lesson of the 1984 food riots is that economic problems are more likely than the other challenges to produce a political crisis. Over the next several months, the revenue pinch will limit Tunis' ability to alleviate employment problems and social pressures through work projects and subsidies. Moreover, any further income reduction could compel the government to cut consumer subsidies at the risk of provoking another outbreak of widespread rioting.

18. Economic austerity will work against liberalization of the political system, which to date has been a "benign authoritarianism" of a few token parties and a semblance of parliamentary rule. The declining pool of financial resources makes it extremely unlikely that the government will be able to use government funds to pacify domestic groups. The only other alternative for the regime is an even tougher line toward political opponents. Recent government actions toward the opposition strongly suggest that Bourguiba has abandoned the traditional practice of accommodation and

Tunisia: Balance of Payments Scenarios, 1986

Million US \$

	1985	1986	
			\$15 Oil \$10 Oil
Current account balance	-825.0	-1,032.0	-1,060.0
Trade balance	-1,195.0	-1,332.0	-1,360.0
Exports ^{a b}	1,665.0	1,168.0	1,075.0
Hydrocarbons	655.0	288.0	198.0
Agricultural products	200.0	100.0	100.0
Phosphates and chemicals	300.0	270.0	270.0
Other	510.0	510.0	510.0
Imports	2,860.0	2,500.0	2,438.0
Hydrocarbons ^c	580.0	185.0	123.0
Industrial Goods	1,635.0	1,575.0	1,575.0
Food	335.0	255.0	255.0
Consumer Goods	510.0	485.0	485.0
Net Services and Transfers	370.0	300.0	300.0
Tourist receipts	490.0	280.0	280.0
Worker remittances	290.0	200.0	200.0
Capital account balance	525.0	390.0	390.0
Long-term capital	500.0	340.0	340.0
Direct investment	190.0	140.0	140.0
Medium- and long-term loans	310.0	200.0	200.0
Official grants	25.0	50.0	50.0
Basic Balance	-300.0	-642.0	-670.0
Short-term capital		425.0	425.0
Euroloan		175.0	175.0
Multilateral		200.0	200.0
Bilateral		50.0	50.0
Reserve position	203.2	13.8	-41.8

^a Crude oil production of 100,000 b/d and consumption of 51,000 b/d.

^b \$20 million in refined product exports.

^c Refined product imports of 11.9 million barrels at a cost of \$15.6/b and \$10.4/b, respectively.

co-optation of opponents and that suppression is now a fixture of government policy for the term of this Estimate and beyond.

19. Prime Minister Sfar probably has little desire to change policy and less desire than Mzali to place his mark on domestic affairs. Bourguiba almost certainly turned to Sfar because he is a loyalist and less of a threat than the former premier. Because of Sfar's limited public appeal and political inexperience, we believe he will be comfortable as Bourguiba's shadow. In addition, Sfar probably will be careful not to

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acquire Mzali's reputation as soft on Islamic fundamentalists. While the Prime Minister's behavior will help secure his position as the President's designated and legal successor, it will almost certainly make him an unpopular politician. Sfar's weak position, and the strong possibility that his appointment stemmed from political intrigue involving Skhiri and possibly Ben Ali, suggests that Sfar may be nothing more than an interim leader. [REDACTED]

20. The political situation is likely to become more tense with the approach of the national election in November, because of the government's unwillingness to share or transfer power. The vote for the 140-member legislature, whose powers are strictly limited, will constitute a focal point in the long-troubled relationship between Bourguiba and the opposition. The government does not appear to be any more inclined this year than in the past to permit a truly democratic ballot. We believe the ruling party's awareness of its political weaknesses will encourage it to ignore opposition demands for free elections and political pluralism, because such a course would only weaken the regime's hold on power. We also believe the government will, as in the past, use PSD militants and the police to harass the opposition and manipulate the voting. [REDACTED]

The Security Outlook

Dry Tinder; Lots of Sparks

21. Suppression of workers, students, and opposition leaders probably will be effective in preventing a serious challenge to the government's hold on power before and after the election. The increasing powers vested in General Ben Ali, who concurrently holds the posts of Minister of the Interior, Director of National Security, and Chief of Police, underscores the concern of Bourguiba about stability and his inclination to lean heavily on the security forces to deal with dissent. [REDACTED]

22. None of the various political groups, including the Islamic fundamentalists, has a charismatic leader able to rally the disparate opposition. Although there are tentative signs of unity among political movements, there is little evidence that collaboration and joint action to date is anything more than tactical. We believe the various groups could cooperate more fully to apply greater political pressure on the government, but they probably would have difficulty making the compromises necessary to forge a united and powerful opposition. While the opposition parties could decide to boycott the vote, we doubt they would violently confront the government. The leadership of the funda-

mentalists MTI, for its part, is temperate by Middle Eastern standards, and there is little evidence to indicate that it is prepared to launch a violent bid for power. [REDACTED]

23. The potential for widespread disturbances, however, will remain high during the term of this Estimate because of pervasive grievances among the population over the economy and the hostility between Bourguiba and his opponents. Fairly widespread rioting in both 1978 and 1984 demonstrates that the Tunisian reputation for moderation does not preclude severe disorder, and possibly even revolutionary violence over the longer term. We doubt that the regime will be able to lessen student hostility or eradicate dissident activity among workers, particularly in the south. Labor disputes persist despite the government's success during the past year in quashing strikes and imposing a new labor leadership. Although the MTI, like the legal opposition, has concentrated on evolutionary political reform, failure of its leaders to gain legal status could split radical and moderate elements in the movement. We believe Islamic militants and other small radical groups will likely turn to violence. [REDACTED]

24. In our view, the greatest danger for Tunisia in the near term is class-based social and economic disorder that would provide militants with the fuel to foment regime-threatening violence. The government's austerity program, if it were to include stiff cuts in food subsidies or further measures to curtail wages and benefits, has a high risk of producing another outbreak of nationwide unrest. Nationwide rioting similar to the 1984 food riots probably would overwhelm the security forces despite the allocation of increased manpower and equipment in recent years, and the government would need to call in combat troops to restore order. [REDACTED]

25. The government's internal preoccupations and schisms also suggest that it is still capable of misgauging public patience with austerity. Government miscalculations that brought about the 1984 disorder were proof that it was out of touch with the public, and some of the regime's recent actions display a similar lack of political foresight. We cannot discount the possibility that the government might inadvertently cause disorder by moving too aggressively in its tough law-and-order policy. The government's practice of immediately inducting into the Army those students caught in demonstrations, for example, could produce a backlash by students. At the same time, the government's occasional delays in salary payments to customs and police officials, and the strains on police and army personnel because of lengthy alerts against Libyan

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The Political Opposition

Legal Parties: All Bark; No Bite

The three political parties arrayed against the PSD are virtually impotent. The largest group, the moderate and leftist Social Democratic Movement, does not appear to have expanded its following. The smaller leftist groups, the Popular Unity Movement and the Communist Party, remain marginal entities. The Communists suffer from their image as a creature of Moscow, while the leaders of the other two parties probably bear the stigma of their close association with Bourguiba in years past. Except for demands of political liberalization, the two non-Communist parties have programs that are not much different from the PSD's. In addition, the legacy of an independent syndicalist movement in Tunisia has made it difficult for all three parties to build a following within labor.

None of these parties has had a chance to test its strength in fair elections, and they probably would be able to draw some support from the urban, middle-class constituencies that originally backed Bourguiba's PSD. We believe that these parties could join forces against the government during the November election, since they formed a "consultative committee" to coordinate strategy during the 1985 municipal elections. Each agreed to withdraw from the contest to protest government harassment and the lack of guarantees with regard to the fairness of the vote.

Students and Labor: On the Defensive

Student groups and labor traditionally have been the most dangerous opponents of the regime, but the government is taking steps to limit their ability to organize opposition activity. Much of the internal unrest in Tunisia during the past year is attributable to conflict over wage policy between the government and the General Union of Tunisian Workers (UGTT), whose 350,000 members make it the largest trade confederation in the Arab world. Deadlock over the issue and persistent strike activity encouraged former Premier Mzali late last year to take measures to create a labor movement in the government's image. He used PSD labor militants and the police to take over UGTT offices, disband the union newspaper and imprison UGTT executives including Habib Achour. At this juncture, the government appears to have been successful in its bid, and sympathetic labor leaders now control the UGTT.

Tunis has used the same hardline methods to quash student demonstrators on university campuses. The

government views students as completely hostile and has undertaken a reorganization of the university system that will ensure government control and stifle opposition from this quarter. The most recent academic year witnessed student disorders and demonstrations, which led to the temporary closure of some faculties, the permanent stationing of police units on campuses, and the immediate induction of student militants into the Army. These efforts have suppressed student militancy for the moment, but activism probably will resume after the summer recess as the country moves into the election season.

Islamic Fundamentalists: Coming on Strong

In our view, the Islamic fundamentalists, organized loosely under the umbrella of the illegal Islamic Tendency Movement (MTI), represent the most dynamic political movement in the country and pose the greatest threat to the regime over the long term. We believe the basic appeal of the MTI is attributable to its image as a truly indigenous political movement with no past ties to the ruling establishment. There are no accurate estimates on the number of MTI adherents, but senior civilian leaders and security officials are increasingly concerned about the appeal of the movement, particularly among youth. These officers also are increasingly preoccupied with what they perceive as significant inroads of the MTI within the military.

The MTI, however, is politically immature: it came into existence only in 1979 and operates openly despite its illegal status. Its efforts to organize have been hindered by the jailing of fundamentalist leaders. In our judgment, the group's emergence in the past few years stems in part from its shift in strategy to pursue the immediate goal of legalization. MTI leaders abandoned their original go-it-alone strategy after their release from jail in late 1984, and since then have recruited workers, students, and members of opposition parties. Publicly, the MTI has united with other opposition groups in protesting government policies and criticizing alleged US complicity in the Israeli raid on the PLO headquarters in Tunis last October. We believe, however, that the new strategy may provoke further tensions between younger radicals and the MTI leadership. The hardliners support an independent stance and a more combative posture for the movement, while the current leaders do not support revolutionary violence and political change. We lack good information on the degree of support and contact between the MTI and fundamentalists outside the country.

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subversion or aggression, indicate that the government's financial stringencies risk undermining morale within key elements responsible for protecting national security. Already there are signs of serious corruption within the police. [REDACTED]

External Factors

26. Tunisia's domestic problems provide foreign countries with new opportunities for subversion. Even though there is no evidence of foreign penetration of the regime or of significant support for Tunisian Islamic militants, during the past year there have been rumors in Tunisia of efforts by Syria and Iran to support opposition groups, as well as evidence of espionage sponsored by Libya. The Soviets almost certainly hope to take advantage of troubles in Tunisia, but they do not have the means to influence events, and they are not likely to improve their position in the near term. Although the PLO is headquartered in Tunis, Palestinians pose only a remote threat to national security because their numbers in Tunisia are diminishing; the government is wary of their presence and keeps fairly close tabs on their movements. [REDACTED]

27. Qadhafi's Libya represents the most significant foreign threat, despite some efforts by both sides in recent months to heal the bilateral rift. Libya has threatened Tunisia with direct military aggression and is capable of overwhelming Tunisia's armed forces with a conventional attack despite improvements in the Tunisian order of battle. Even so Qadhafi will be reluctant to invade Tunisia for fear of prompting a US, French, or Algerian reaction. [REDACTED]

28. We believe Qadhafi possesses a significant ability to undermine the regime through support of Tunisian dissidents or terrorism. Tunis is concerned, correctly we think, that Qadhafi has agents among Tunisians evicted from Libya who continue to trickle into the country. There is particular concern that he might take advantage of the dire economic and social conditions, especially in the south, to foment rebellion. Qadhafi long has provided refuge, logistic support, and training for Tunisian dissidents. [REDACTED]

29. The ability of Libya or any other country to undermine the Tunisian Government will depend on whether Bourguiba's officials effectively address domestic economic and social problems. Trade with Libya traditionally has supplemented meager government investment in the rural and southern regions, and the closure of the border has reportedly increased discontent and encouraged smuggling, which is partly abetted by tribal ties between southerners and Libyans. [REDACTED]

30. A deterioration of the political and economic situation in Tunisia will undermine the confidence of moderate governments in the region such as Morocco and Egypt and work to the advantage of radical forces, especially Libya.¹ Tunisia's two land neighbors, Libya and Algeria, will be the states most affected by, and concerned with, developments in the country. As long as Qadhafi is in charge, Libya will continue to harbor aggressive designs against Tunisia. [REDACTED]

31. Algerian attitudes toward Tunisia are more complex. The Bendjedid government appears to view political turmoil and the succession issue in Tunisia with foreboding. Algeria is concerned about possible intervention by Libya, and the chance that France, the Soviet Union, and the United States might become involved as well. And while these worries have fostered closer military cooperation between Algeria and Tunisia, Tunisian political and military leaders remain highly skeptical about Algerian objectives. Algeria may decide to expand its intelligence activities in Tunisia, if for no other reason than to monitor Libyan activity and Tunisian stability. Despite the recent contacts between Algeria and Libya, Algiers will try to influence events in Tunisia with an eye toward preventing the emergence of a pro-Libyan regime. [REDACTED]

Possible Scenarios

32. We view as remote any specific change that would lead to a significantly improved situation during the term of this Estimate. There are several developments, however, that would further undermine the country's fragile stability. Bourguiba's death or physical incapacitation, for example, would pose new dangers for the country. A succession crisis or a massive breakdown in public order, also could prompt military intervention. In any of these events, the chance of sweeping political change or revolution under the auspices of opposition leftists, Islamic fundamentalists, or military officers, would increase, but such a development probably would only occur after a period of rule by members of the current civilian and military leadership. [REDACTED]

A Succession Crisis

33. The President is the country's only political institution (there has been no succession in Tunisia since independence) and he has done little to ensure [REDACTED]

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continuity following his death. The ruling PSD is moribund, the political opposition has no experience with government or power-sharing, the government has not allowed trade unions and public interest groups to flourish, and the civil bureaucracy is rife with nepotism. Only the judiciary and officer corps appear to be relatively free of political favoritism and organized largely on the basis of merit promotion. Bourguiba's death would remove the cement that binds the country's government and bureaucracy.

34. Tunisia's Constitution outlines three conditions under which Bourguiba's wide powers can be permanently transferred to the Prime Minister, the President's legal successor: resignation, death, or incapacitation. We believe resignation is highly unlikely given Bourguiba's inclination to retain ultimate decision-making authority.

35. **Death.** If the President dies before the November election, Sfar will be placed in a precarious position. According to the Constitution, Sfar would have to face the voters in a popular election, but we believe he would be strongly tempted to fix the results of the election. Conversely, contenders within the regime would want to unseat Sfar before he has a chance to consolidate his power. Either event could prompt a strongly negative public reaction and produce extreme uncertainty within the government.

36. Bourguiba's death after the vote would make Sfar President until the next legislative election five years hence. Sfar would only be able to consolidate his hold on power if he were to strike a political deal with military and security officials. Otherwise, more forceful and cunning politicians such as Skhiri, Ben Ali, and the conservative Minister of Public Works and Housing Mohamed Sayah might act together or individually to oust Sfar.

37. **Incapacitation.** The Prime Minister is solely responsible for making a judgment with respect to presidential disability. Legally Sfar has only to declare his intent to the president of the legislature, but realistically, such a move could be extremely risky; indeed, a premature move would be political suicide if Bourguiba unexpectedly and quickly recovered. Sfar, however, might face little choice in the matter if Bourguiba, for example, were to suffer a setback that would leave him alive but in a coma, or with his mental faculties almost totally impaired. Still, if the Prime Minister moved to assume the presidency, he would face the same risks as if Bourguiba had died.

Prospects for Military Intervention

38. In spite of its apolitical tradition, the military stands out as the one domestic group capable of short-circuiting the succession process and challenging the current elite; however, we have no evidence of coup plotting. We believe the military would allow the legal succession procedures to play out if there is no sign of serious internal disorder. Senior officers share regional, family, and business interests with the civilian elite and have a stake in the status quo. As long as Bourguiba retains some semblance of lucidity, and is in control, his prestige will make a coup attempt a risky venture.

39. The military almost certainly would rally behind the government in the face of a foreign threat, but we anticipate that many officers will be reluctant to engage in police action. We believe the likelihood of a lapse of discipline within the military to be greatest if economic issues, such as popular disgruntlement over wages, prices, or housing, are at the core of antigovernment activity. These issues also touch upon the concerns of officers, enlisted men, and conscripts.

40. Prospects for military intervention are likely to increase. In a prolonged period of political uncertainty and maneuvering, leading officers would probably insert themselves more forcefully into politics. If there were a disintegration of political authority, they would have to intervene. Their objectives could include preempting a coup, reinstalling Bourguiba, or imposing a more effective civilian regime with or without Bourguiba's blessing. Bourguiba's incapacitation or death would remove many restraints. In any of these circumstances, we cannot preclude a coup by junior officers. We would have little warning of a revolt at lower levels because of gaps in our information about this segment of the Army.

41. Among military and security officials, General Ben Ali is best placed to assume a national leadership role because of his wide-ranging control over the security and intelligence network. The security chief has been careful to mask political ambitions, but he probably would be willing to play the kingmaker and might even attempt to seize power in cooperation with Army officers.

Prospects for Revolutionary Change

42. We do not foresee revolutionary change in Tunisia during the timeframe of this Estimate, despite Tunisia's severe problems. Social, economic, and political problems have only begun to produce a cadre of

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radical revolutionaries. Political reformers among the regime's opponents still appear to outnumber revolutionaries at this juncture—even Islamic fundamentalist leaders speak and act as if the system is redeemable.

43. A breakdown in public order would provide opportunities to the regime's opponents that might not exist otherwise. If in the longer term, a successor regime is unable to consolidate power and rectify the country's problems, we believe revolutionary change—spearheaded by opposition leftists, Islamic fundamentalists, or military officers—is likely. The accession of an Islamic fundamentalist government would drastically reduce Western influence, however, an eventual modus vivendi with the United States and the West could be possible.

Prospects for US Interests

Under Bourguiba

44. In our view, Bourguiba is not likely to alter Tunisia's close relations with the United States. Bourguiba has persevered in his effort to maintain strong ties despite his embarrassment over the Israeli airstrike on the PLO headquarters in Tunis last October and his view of the incident as a betrayal of trust. Moreover, Bourguiba is still concerned over trends in US aid to Tunis and what the government views as Washington's desultory response to the country's urgent requests for military support following clear threats of attack from Libya. Nevertheless, he has sought highly visible contacts with senior US military and political leaders. Tunisian officials will continue to evoke the Libyan threat to obtain more financial aid from the United States. In addition, we also believe Tunisia's diplomatic openings toward the Soviet Union and Algeria, as well as its quieter efforts to expand contacts with Iraq, Egypt, China, Italy, and Turkey reflect government attempts to extract more aid and find alternative sources. Bourguiba, however, would not want these initiatives to jeopardize vital diplomatic and security links to Washington.

45. The current situation does not offer much in the way of opportunities for advancing US interests. Any attempt by Washington to cultivate relations with opposition groups or lobby the government to open up the political system would anger Bourguiba, our closest friend in the country, and possibly signal vacillating US support for the regime to the opposition. On the other hand, further efforts by Washington to buttress the President's regime run the risk of drawing the United States into the political fray on the side of a regime whose viability is increasingly in doubt.

Under a Civilian Successor

47. Bourguiba's demise probably would lead to a government more committed to emphasizing its non-aligned credentials and to reducing ties to Washington. We would expect this development no matter who is in charge. While Sfar and several of Bourguiba's other possible successors, such as the President's son Habib and Minister of Public Works Sayah, appear to look favorably upon the United States, even they would need to place some distance between Tunisia and the United States because of their likely political weakness. The foreign policy consensus on strong ties to the West has unraveled somewhat because of the Israeli raid on the PLO headquarters in Tunis last October. Many Tunisians, even those sympathetic to the United States, perceived Washington as implicated in that attack and are disillusioned with the United States over Washington's unwillingness to do more to respond to Tunisia's security and economic needs.

48. Even if this attitude causes a shift in relations, it might not pose excessive problems for the United States. A moderate reduction of Bourguiba's pro-Americanism would still result in fairly close relations. The current group of potential successors would be no more inclined than Bourguiba to jeopardize vital economic and security links to the West, and they would be careful to limit Tunisia's relations with the Soviets and Arab neighbors. The government, however, probably would endeavor, as it has done during the past year, to broaden military and diplomatic contacts with the Soviet Union and with Arab states such as Algeria, Iraq, and Egypt. Tunis may also turn more to Western countries other than the United States, such as Italy and West Germany, or non-Arab, Third World countries such as China, South Korea, Brazil, and Turkey, to solicit aid or purchase military equipment.

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Under a Military Government

49. Under a government led by senior military officers or Ben Ali, bilateral ties initially would not change dramatically. Most senior officers have positive views of the United States and have had favorable contacts with US counterparts, despite their own suspicions that Washington was implicated in the Israeli attack on PLO headquarters. These officers might even seek to improve ties because of their inexperience in politics and need for foreign support and assurance. In the longer term, military leaders could not afford to ignore popular views of the United States. Thus, whether civilian or military, a government led by senior officers eventually would adopt the same cautious policies. [REDACTED]

50. A coup by junior officers would be more likely to result in a government less sympathetic, and possibly even hostile to the United States. Although junior officers are more likely than senior officers to have received training in the United States, a composite of information indicates that they tend to be more

ambivalent toward the country's traditional Western patrons and are more parochial and nationalistic in their attitudes. We believe they envision a Tunisia more attuned to the mainstream of the Arab and Islamic worlds. Although younger Tunisian officers are probably not persuaded by Nasser's or Qadhafi's fiery brands of pan-Arabism or Khomeini's brand of revolutionary Islam, they are probably more sympathetic than their elders with the general goals of social justice and liberation from Western influence. A military regime in Tunisia under the guidance of junior officers at a minimum would want to distance itself from Washington, and there is a strong chance that they would eventually move to curtail or end Tunisia's security ties to the United States. The Soviet Union might well be able to capitalize on such a regime through the provision of arms; however, this would not necessarily imply the establishment of a pro-Soviet regime. Even junior officers would be reluctant to embrace Moscow lest they be accused at home or abroad of acting in cooperation with a foreign country. [REDACTED]

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